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LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/12/03

CASCIO, DAVIS & SCHMIDT, LLP
Certified Public Accountants

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

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CD&S**CASCIO, DAVIS & SCHMIDT, LLP****CERTIFIED PUBLIC ACCOUNTANTS**

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Louisiana Gene Therapy Research Consortium, Inc.

We have audited the accompanying statement of financial position of Louisiana Gene Therapy Research Consortium, Inc. (a non-profit corporation) as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Consortium's 2001 financial statements and, in our report dated October 19, 2001 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Gene Therapy Research Consortium, Inc. as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2002, on our consideration of Louisiana Gene Therapy Research Consortium, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Louisiana Gene Therapy Research Consortium, Inc. taken as a whole. The accompanying combined statement of activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cascio, Davis & Schmidt, LLP.

Metairie, Louisiana
October 31, 2002

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LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2002

ASSETS		MEMORANDUM ONLY
		<u>June 30, 2001</u>
CURRENT ASSETS		
Cash (Note A4)	\$ 961,055	\$ 1,187,233
Accounts receivable (Note A5)	236,966	-
Prepaid expenses	<u>8,503</u>	<u>4,838</u>
Total current assets	1,206,524	\$ 1,192,071
PROPERTY AND EQUIPMENT - At cost (Note A6)		
Lab scientific equipment	4,530,610	2,825,128
Computer equipment	12,047	7,226
Office equipment	19,811	7,877
Furniture	<u>10,564</u>	<u>1,053</u>
	4,573,032	2,841,284
Less accumulated depreciation	<u>731,899</u>	<u>221,846</u>
	3,841,133	2,619,438
OTHER ASSETS		
Deposits	<u>3,394</u>	<u>3,394</u>
Total assets	\$ <u>5,051,051</u>	\$ <u>3,814,903</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 496,228	\$ 137,484
Current maturities of capital lease	<u>2,667</u>	<u>-</u>
Total current liabilities	498,895	137,484
LONG - TERM LIABILITIES		
Capital lease payable, less current maturities (Note C)	<u>4,487</u>	<u>-</u>
Total liabilities	503,382	137,484
COMMITMENT (Note D)	-	-
NET ASSETS (Notes A2 and A3)		
Temporarily restricted	<u>4,547,669</u>	<u>3,677,419</u>
Total liabilities and net assets	\$ <u>5,051,051</u>	\$ <u>3,814,903</u>

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL MEMORANDUM ONLY 2002</u>	<u>2001</u>
REVENUE				
Grants (Note B)	\$ -	\$ 4,205,482	\$ 4,205,482	\$ 5,305,128
Interest income		22,656	22,656	49,604
Other income	2,371		2,371	-
Net assets released from restrictions	<u>3,357,888</u>	<u>(3,357,888)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>3,360,259</u>	<u>870,250</u>	<u>4,230,509</u>	<u>5,354,732</u>
EXPENSES				
Wages, salaries & payroll taxes	324,984	-	324,984	93,940
Contract services	3,422	-	3,422	36,000
Professional services	203,851	-	203,851	293,588
Facility expense	42,105	-	42,105	2,310
Equipment expense	13,634	-	13,634	22,777
Office expense	18,510	-	18,510	14,511
Marketing and PR expense	26,000	-	26,000	-
Travel	27,209	-	27,209	7,111
Business expense	11,052	-	11,052	330
Program expense	49,872	-	49,872	2,145
Research expense	2,123,812	-	2,123,812	1,157,268
Depreciation	511,396	-	511,396	221,846
Disposal of equipment	<u>4,412</u>	<u>-</u>	<u>4,412</u>	<u>-</u>
Total Expenses	<u>3,360,259</u>	<u>-</u>	<u>3,360,259</u>	<u>1,851,826</u>
INCREASE IN NET ASSETS	-	870,250	870,250	3,502,906
Prior year funds returned to funding source	-	-	-	(9,882)
Net assets, beginning of year	<u>-</u>	<u>3,677,419</u>	<u>3,677,419</u>	<u>184,395</u>
Net assets, end of year	\$ <u><u>-</u></u>	\$ <u><u>4,547,669</u></u>	\$ <u><u>4,547,669</u></u>	\$ <u><u>3,677,419</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Grant revenue	\$ 4,205,482
Interest income	22,656
Other income	<u>2,371</u>
	4,230,509

Payments to employees, suppliers and for research expense	<u>(2,726,338)</u>
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Net Cash Provided by Operating Activities \$ 1,504,171

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	<u>(1,737,503)</u>
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Net Cash Used in Investing Activities (1,737,503)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from leasing equipment	8,544
Payments on long-term lease	<u>(1,390)</u>

Net Cash Provided by Financing Activities 7,154

Net Decrease in Cash and Cash
Equivalents (226,178)

Cash and Cash Equivalents at Beginning
of Year 1,187,233

Cash and Cash Equivalents at End of Year \$ 961,055

**RECONCILIATION OF INCREASE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Increase in net assets \$ 870,250

Adjustments to reconcile increase in
net assets provided by operating
activities:

Depreciation	\$ 511,396
Disposition of equipment	4,412
(Increase) in operating assets:	
Accounts receivable	(236,966)
Prepaid expenses	(3,665)
Increase in operating liabilities:	
Accounts payable	<u>358,744</u>

Total adjustments 633,921

**NET CASH PROVIDED BY OPERATING
ACTIVITIES** \$ 1,504,171

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

Louisiana Gene Therapy Research Consortium, Inc. was incorporated April 7, 1999, and began operations in the Fall of 2000. The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

The mission of the Louisiana Genetics Research Consortium is to enable economic development throughout Louisiana based on human, agricultural, and veterinary genetics and genetherapy by strengthening basic research capacity, engaging citizens in lifelong learning activities, and expanding opportunities for stable, sustainable business growth.

The Consortium supports, leverages, and expands gene therapy research through the State of Louisiana by creating a critical mass of scientists, laboratories, and equipment as health science centers, both public and private.

In carrying out its mission, the Consortium has the following five objectives:

- Enhance and expand gene therapy research throughout Louisiana.
- Facilitate economic growth through commercialization of gene therapy innovations emerging from research institutions and through collaborations with industry.
- Provide career development, job training, and life-long learning opportunities in gene therapy, genetics, and life sciences.
- Disseminate information about the ethical, legal, and social implications of gene therapy research and development.
- Increase national and international visibility for the state, its academic institutions, and its economic development efforts.

2. Financial Statement Presentation

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2002.

3. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Grant revenue is recognized as it is earned in accordance with approved contracts.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2002

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Cash and Cash Equivalents

At June 30, 2002, the carrying amount of the Corporation's deposits was \$961,055, and the bank balances amounted to \$1,174,450. These amounts exceed federally insured limits, however, the Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the purposes of the statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

5. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists of payments due under governmental grants. If amounts due become uncollectible, they will be charged to operations when that determination is made.

6. Property and Equipment

Louisiana Gene Therapy Research Consortium, Inc. owns the property and equipment, and follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the useful lives of the assets, generally as follows:

Lab scientific equipment	7 years
Office and computer equipment	5 years
Furniture	7 years

Property and equipment acquired with grant funding during the year ended June 30, 2002 amounted to \$1,737,503. Depreciation amounted to \$511,396.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Total Columns of Combined Statements - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2002

NOTE B - GRANT REVENUE

Grant revenue consists of the following:

Louisiana Board of Regents - Operating Grant	\$ 2,500,000
Louisiana Board of Regents - Capital Outlay Grant	<u>1,705,482</u>
	<u>\$ 4,205,482</u>

NOTE C - CAPITAL LEASE OBLIGATION

The capital lease obligation at June 30, 2002 consists of the following:

Copier and fax lease due in monthly installments of \$293, including interest at 14% through December 2004.	\$ 7,154
Less current maturities	<u>2,667</u>
	<u>\$ 4,487</u>

The aggregate maturities for the years following June 30, 2003
are as follows:

Year ending June 30, 2004	\$ 2,800
Year ending June 30, 2005	<u>1,687</u>
	<u>\$ 4,487</u>

Interest expense for the year ended June 30, 2002 amounted to \$661.

NOTE D - COMMITMENT

The Corporation leases its administrative office under an operating lease expiring January 31, 2006. The following is a schedule by years of minimum rental payments:

Year ending June 30, 2003	\$ 42,477
Year ending June 30, 2004	\$ 43,752
Year ending June 30, 2005	\$ 45,063
Year ending June 30, 2006 (through January 31, 2006)	\$ 19,100

The rental expense for the year ended June 30, 2002 was \$41,238.

NOTE E - RETIREMENT PLANS

As of June 30, 2002, the Corporation maintained two contributory retirement plans for its eligible employees. The plans offer employees the choice of two investment company options, Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). Participating employee and Corporate contributions are immediately vested. The Corporation contributed \$19,726 to the two plans for the year ended June 30, 2002.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2002

NOTE F - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2002.

NOTE G - ECONOMIC DEPENDENCY

The Corporation received all of its revenue from funds provided through grants administered by the State of Louisiana during the year ended June 30, 2002. The grant amounts are appropriated periodically by the State of Louisiana. If significant budget cuts are made at the State level, the amount of the funds the organization receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the Corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the organization will receive in the next fiscal year.

SUPPLEMENTAL INFORMATION

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2002

	<u>Operating Grant</u>	<u>Capital Outlay Grant</u>	<u>Property and Equipment</u>	<u>Total</u>
REVENUE				
Grants	\$ 2,500,000	\$ 1,705,482	\$ -	\$ 4,205,482
Interest income	22,656	-	-	22,656
Other income	2,371	-	-	2,371
Total Revenue	<u>2,525,027</u>	<u>1,705,482</u>	<u>-</u>	<u>4,230,509</u>
EXPENSES				
Wages, Salaries, & Payroll Taxes				
Salaries	260,199			260,199
Payroll taxes	18,976			18,976
Benefits	44,414			44,414
Benefit administration	1,395			1,395
	<u>324,984</u>			<u>324,984</u>
Contract Services (LSUHSC)	3,422			3,422
Professional Services				
Legal	74,945			74,945
Accounting	12,743			12,743
Procurement	36,000			36,000
Recruitment/Search	29,389			29,389
Consultants	50,774			50,774
	<u>203,851</u>			<u>203,851</u>
Facility Expense				
Rent/Utilities	41,339			41,339
Insurance (property/liability)	766			766
	<u>42,105</u>			<u>42,105</u>
Equipment expense	13,634			13,634
Office expense	18,510			18,510
Marketing and PR Expense	26,000			26,000
Travel	27,209			27,209
Business expense	11,052			11,052
Program expense	49,872			49,872
Research expense				
Personnel	1,295,148			1,295,148
Supplies	642,716			642,716
Other	185,948			185,948
	<u>2,123,812</u>			<u>2,123,812</u>
Depreciation			511,396	511,396
Disposal of equipment			<u>4,412</u>	<u>4,412</u>
Total expenses	<u>2,844,451</u>	<u>-</u>	<u>515,808</u>	<u>3,360,259</u>
Increase (decrease) in net assets	(319,424)	1,705,482	(515,808)	870,250
Property and equipment capitalized	(32,021)	(1,705,482)	1,737,503	
Net assets, beginning of year	<u>1,057,981</u>		<u>2,619,438</u>	<u>3,677,419</u>
Net assets, end of year	<u>\$ 706,536</u>	<u>\$ -</u>	<u>\$ 3,841,133</u>	<u>\$ 4,547,669</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Louisiana Gene Therapy Research Consortium, Inc.

We have audited the financial statements of Louisiana Gene Therapy Research Consortium, Inc. (a non-profit corporation) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana Gene Therapy Research Consortium, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Gene Therapy Research Consortium, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, others within the organization, and Louisiana awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cascio, Davis & Schmidt, LLP.

Metairie, Louisiana
October 31, 2002

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2002

AUDIT FINDINGS

There were no prior year or current year audit findings.

QUESTIONED COSTS

There were no questioned costs.

MANAGEMENT LETTER

A management letter was not issued for the year ended June 30, 2002.